

# EXHIBIT C

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September 3, 2014

**Eli Hoory, Esq.**  
Special Projects Deputy  
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Internal Revenue Service  
Mint Building  
901 9th Street, NW  
Washington, DC 20220

**Re: Microsoft Corporation and Subsidiaries**

Dear Eli,

This responds to your letter dated August 28, 2014 regarding the upcoming IRS interviews, which we understand will be transcribed and taken under oath. Notwithstanding that the audit began almost eight years ago and numerous individuals were previously interviewed by the IRS,<sup>1</sup> the Company is willing to make its personnel available on a consensual basis. At the same time, the Company has legitimate interests in minimizing disruptions to its core business operations, safeguarding its tax return information, and protecting its rights should this matter proceed to litigation.

Accordingly, the following guidelines will apply to each interview:

Interview Length

The Company will make each interviewee available to the IRS for at least 2 hours, subject to reasonable extensions.

Interview Scheduling

The Company will make reasonable efforts to accommodate the IRS's desired interview schedule, and will endeavor to provide the IRS with an anticipated daily schedule at least one week in advance of each interview date.

Interview Location and Arrangements

Unless otherwise specified by the Company, all interviews will take place at the Company's headquarters in Redmond, Washington. The Company will provide the IRS with a nearby break out room.

Please be advised that the Company will not make available a speaker phone or other device to allow remote attendees to listen in (whether on behalf of the Company or the IRS), nor will the Company allow attendees to bring any devices into the interview room that would allow remote listening.

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<sup>1</sup> See Letter from William J. Sample to Cheryl Claybough et al. (Aug. 6, 2014).

Identification of IRS and Microsoft Representatives

Your letter did not identify the IRS personnel and external personnel who will be attending these interviews. Please provide us a list of these people the Thursday before the first interview. We will provide you the same courtesy.

Quinn Emanuel

In your letter, you informed the Company, for the first time, that the IRS has retained the law firm Quinn Emanuel "to assist LB&I in the evaluation and the examination of this matter," and that the IRS "may" wish to bring Quinn Emanuel attorneys to the interviews. Please clarify in writing whether Quinn Emanuel has been engaged in an expert capacity or to represent the IRS as trial counsel if this matter proceeds to litigation. If the former role, please identify the individual expert and his or her area of expertise.

The Company is deeply concerned about Quinn Emanuel's involvement in this matter, as well as the abrupt manner in which this involvement was revealed to the Company by the IRS. As you should know, Quinn Emanuel has acted (and continues to act) as litigation counsel on behalf of Google, Motorola and other clients in actions adverse to the Company. Quinn Emanuel attorneys are subject to protective orders in the non-tax litigation and section 6103 in our tax case. We have conflict, confidentiality and ethical concerns. Accordingly, please provide the following information to address our concerns:

- A complete, unredacted copy of the IRS engagement letter with Quinn Emanuel.
- Describe the protocols, if any, put in place by Quinn Emanuel to ensure an ethical wall is in place between the lawyers, staff, information and documents involved or developed in the non-tax Microsoft litigation and the lawyers, staff, information and documents involved or developed in our case.
- Please confirm your compliance with the section 7612 procedures in the event Quinn Emanuel has or will have access to Microsoft's computer software.

We need the above information by Tuesday, September 9, so the Company can assure itself in advance of the first scheduled interview that Quinn Emanuel's involvement in this case does not pose any conflict, confidentiality or ethical issues.

Interview Conduct

Based upon the history of this audit, the list of attendees and potential attendees, your comments on the August 12, 2013 status call, and the planned administration of oaths and use of court reporters, the Company reasonably believes that the IRS may be using these interviews to create a record for use in subsequent litigation. Accordingly, the Company's representatives will raise proper evidentiary objections at the forthcoming interviews.

The Company also would be amenable to entering into the following stipulation at the beginning of each interview:

In order to streamline the interview process, the Company agrees to forego making objections (other than privilege objections) for the record and the Service agrees that the Company shall not have waived such objections and may make appropriate objection at any trial or hearing in which the Service seeks to introduce the transcribed questions and responses.

If the IRS is amenable to this stipulation, please let me know the Thursday prior to the commencement of the first interview.

Documents

Your letter requests a projector to display documents to one or more of the interviewees. We will provide a projector, provided the IRS also provides three copies of each such document for the interviewee and us at the time the document is projected. We will direct the interviewee only to answer questions about the document after he or she has completely reviewed the document and has a current recollection of the document. Alternatively, if you are able to provide documents ahead time for the interviewee to review, that may lend itself to a more efficient interview.

Transcript

The Company will request a copy of each interview transcript. See I.R.C. § 7521(a)(2)(B).

Sincerely,



Michael J. Bernard  
U.S. Tax Counsel

cc: Bill Sample – CVP Worldwide Tax  
Cheryl Claybough – CTM Industry Director  
Kim Edwards – CTM DFO (West)  
William McCarthy – Seattle LB&I Counsel